

Message Text

UNCLASSIFIED

PAGE 01 HELSIN 00065 101412Z

50

ACTION EUR-12

INFO OCT-01 ISO-00 EB-07 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 PER-03 DODE-00 PA-02

USIA-15 PRS-01 ABF-01 FSE-00 OPR-02 /078 W

----- 119452

R 101330Z JAN 75

FM AMEMBASSY HELSINKI

TO SECSTATE WASHDC 8195

INFO AMEMBASSY COPENHAGEN

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

UNCLAS HELSINKI 0065

E.O. 11652: N/A

TAGS: ELAB, PINT, AFIN, FI

SUBJ: 1975 WAGE AND SALARY REVIEW NEGOTIATIONS

REF: HELSINKI 517 (MARCH 12, 1974)

PLEASE ALSO PASS EUR/EX

SUMMARY: STATISTICS COLLECTED FOR REVIEW OF PAY INCREASES CALLED FOR IN REMAINDER OF CURRENT 22 MONTH NATIONAL COLLECTIVE BARGAINING AGREEMENT SHOW AVERAGE RISE IN INCOMES DURING 1974 WAS ABOUT 19.5 PERCENT FOR A 2.5 PERCENT RISE IN REAL INCOMES, TAKING INTO ACCOUNT LAST YEAR'S 17 PERCENT INFLATION. THIS INFORMATION HAS PUT LABOR ON THE DEFENSIVE AND IMPROVED PROSPECTS THAT CONTRACT WILL RUN ITS COURSE THROUGH JANUARY 1976. "WAGE DRIFT" RESPONSIBLE FOR ABOUT HALF OF 1974 INCREASE AND WILL CONTINUE STRONG IN 1975 WHICH WILL PROBABLY WITNESS INCOME RISE IN EXCESS OF 15 PERCENT. END SUMMARY.

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 HELSIN 00065 101412Z

1. THE WAGE AND SALARY REVIEW NEGOTIATIONS CALLED FOR

IN CURRENT 22-MONTH NATIONAL COLLECTIVE BARGAINING AGREEMENT OPENED JANUARY 3 WITH A SURPRISING REPORT FROM SPECIAL COMMITTEE CHARGED WITH PREPARING STATISTICAL BASIS FOR NEGOTIATIONS. SURPRISE WAS CALCULATION THAT REAL INCOMES HAVE RISEN BY 2.5 PERCENT OVER A YEAR AGO; AND BY 5.1 PERCENT DURING FIRST NINE MONTHS OF AGREEMENT -- WHICH BEGAN APRIL 1, 1974. THESE FIGURES WERE PROMPTLY ATTACKED BY EMPLOYEE ORGANIZATIONS WHICH HAD BEEN ALLEGING, IN FACE OF CONTINUED RAPID INFLATION, THAT REAL INCOMES WERE FALLING. THESE ORGANIZATIONS ARE NOW CALLING FOR FIGURES TO BE REVISED TO TAKE ACCOUNT OF NUMEROUS JANUARY 1975 PRICE INCREASES AND OTHER PROJECTED FIRST QUARTER ECONOMIC DEVELOPMENTS WHICH WILL AFFECT WORKERS' PURCHASING POWER BY TIME SCHEDULED 1975 INCOME INCREASES (AVERAGE 10.8 PERCENT) BEGIN APRIL 1.

2. DESPITE LABOR UNIONS' UNHAPPINESS, FIGURES OF SPECIAL COMMITTEE (IN WHICH LABOR WAS FULL PARTICIPANT) ARE GENERALLY CONCEDED TO BE FAIRLY ACCURATE. INCREASE IN REAL INCOMES, WHEN CONSUMER PRICES ROSE IN 1974 BY ABOUT 17 PERCENT, IS EXPLAINED BY STRONG "WAGE DRIFT." ALTHOUGH COLLECTIVE BARGAINING AGREEMENT ONLY CALLED FOR AN AVERAGE 10.4 PERCENT INCREASE IN WAGES AND BENEFITS IN 1974, "DRIFT" HAS BROUGHT INCREASE TO ABOUT 19.5 PERCENT. MAJOR CAUSES OF THIS "WAGE DRIFT" ARE CONTINUED LABOR SHORTAGES IN MOST SECTORS OF FINNISH INDUSTRY WHICH LEAD EMPLOYERS TO BID UP WAGES AND RECLASSIFY POSITIONS FOR HARD-TO-FIND SKILLED EMPLOYEES. NOT SURPRISINGLY LABOR UNIONS ARE FOCUSING THEIR DEMANDS FOR ADJUSTMENTS ON LOW-WAGE EARNERS, MANY OF WHOM HAVE LOST GROUND IN TERMS OF REAL INCOMES. IN WHITE COLLAR SECTOR "WAGE DRIFT" HAS BEEN LARGELY PRODUCED BY "CATCH-UP" INCREASES DESIGNED TO COMPENSATE (IN PART) FOR FALLING BEHIND INDUSTRIAL SECTOR IN RATE OF PAY INCREASES IN RECENT YEARS. IN FACT, OVER FIRST NINE MONTHS OF CURRENT COLLECTIVE AGREEMENT, WHILE COLLAR WORKERS SHOW A LARGER REAL INCOME GAIN THAN INDUSTRIAL WORKERS. PUBLIC SECTOR EMPLOYEES, FOR EXAMPLE, ARE UNCLASSIFIED

UNCLASSIFIED

PAGE 03 HELSIN 00065 101412Z

EARNING 20-22 PERCENT MORE THAN A YEAR AGO.

3. AN UNEXPECTED COMPLICATION OF STRONG "WAGE DRIFT" IS THAT A LARGER PROPORTION THAN EXPECTED OF INCREASED INCOME IS CONSUMED BY SHARPLY PROGRESSIVE INCOME TAXES. DESPITE PERSONAL INCOME TAX RATE REDUCTIONS, AGREED TO IN CONJUNCTION WITH COLLECTIVE BARGAINING AGREEMENT, CENTRAL GOVERNMENT TAX RECEIPTS INCREASED

BY 31 PERCENT IN 1974 AND LOCAL GOVERNMENT TAX
RECEIPTS BY 24 PERCENT.

4. IT IS TOO EARLY TO MAKE ACCURATE PREDICTIONS AS
TO WHAT, IF ANY, ADJUSTMENTS WILL BE AGREED TO FOR
REMAINDER OF COLLECTIVE BARGAINING AGREEMENT WHICH
RUNS, UNLESS ABROGATED, TO JANUARY 31, 1976. IT IS
A CERTAINTY, HOWEVER, THAT "WAGE DRIFT" WILL CONTINUE
AND THAT ACTUAL PAY INCREASES WILL PROBABLY APPROX-
IMATE, OR STAY A LITTLE AHEAD OF THE INFLATION RATE.
MOST OBSERVERS EXPECT LATTER TO DROP FROM THIS YEAR'S
17 PERCENT TO FIGURE NEARER 14 PERCENT, BUT IT
WOULD BE WISE TO REMEMBER THAT 1974 INFLATION RATE
WAS ORIGINALLY UNDERESTIMATED.
HOUSTON

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WAGES, POLICIES, NEGOTIATIONS, COLLECTIVE BARGAINING AGREEMENTS, WAGE PRICE INDEXES, LABOR DATA, LABOR OBJECTIVES
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975HELSIN00065
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750010-0832
From: HELSINKI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750163/aaaaccxe.tel
Line Count: 130
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 75 HELSINKI 517, 75 (MARCH 12, 75 197
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 31 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <31 MAR 2003 by RicharJA>; APPROVED <05 JAN 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: 1975 WAGE AND SALARY REVIEW NEGOTIATIONS
TAGS: ELAB, PINT, AFIN, FI
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006